

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF DELTA)	CASE NO. 9331-M
NATURAL GAS COMPANY, INC.)	

INTERIM ORDER

On December 19, 1985, the Commission issued its Order in Case No. 9331 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates on a quarterly basis in accordance with the provisions of the Gas Cost Adjustment ("GCA") Clause set forth therein.

On January 3, 1989, Delta Natural Gas Company, Inc. ("Delta") filed its quarterly GCA which is to become effective February 1, 1989 and is to remain in effect until May 1, 1989.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

(1) Delta's notice of January 3, 1989 set out certain revisions in rates which Delta proposed to place into effect, said rates being designed to pass on the overall wholesale increase in gas costs from its suppliers in the amount of 14.25 cents per Mcf. This increase included certain take-or-pay billings from Delta's pipeline suppliers. The Commission is in the process of reviewing

Delta's take-or-pay flow through methodology, as well as the composition of its Kentucky producer purchases. Delta's expected gas cost should be accepted pending the outcome of the Commission's investigations.

(2) Delta's notice set out a total refund adjustment of 2.54 cents per Mcf, replacing the previous adjustment of 3.63 cents per Mcf.

(3) Delta's notice set out a current quarter actual adjustment in the amount of 19.95 cents per Mcf to compensate for previous under-recovery of gas cost by the company through the operation of its gas cost recovery procedure. This actual adjustment should be accepted pending the outcome of the aforementioned purchases investigation.

(4) Delta's notice set out a balance adjustment of .08 cents per Mcf to compensate for over-collections, which occurred as a result of previous gas cost, refund, and balance adjustments.

(5) Delta proposed a gas cost recovery rate in the amount of \$3.2184 per Mcf. This is an increase of \$0.2667 per Mcf from the rate previously in effect. The increase represents the combined effect of the supplier increase, refund, actual, and balance adjustments.

(6) Delta's adjustment in rates contained in the Appendix to this Order is made pursuant to the GCA provisions approved by the Commission in its Order in Case No. 9331 dated December 19, 1985 and should be approved to be effective with final meter readings on and after February 1, 1989, subject to refund.

(7) Delta reached a settlement in its lawsuit with The Wiser Oil Company ("Wiser"). Delta's filing reflects the settlement and the resulting contract amendment. Delta requested approval of full gas cost recovery of all amounts paid or required to be paid by Delta under the settlement.

The lawsuit involved a controversy relating to the determination of the price of gas pursuant to the provisions of the contract between Delta and Wiser. Delta interpreted the contract to require a lower price per Mcf than the price determined by Wiser. Starting April 1, 1987, Delta paid Wiser at the lower price. The settlement included an amendment of the contract and payment of certain amounts by Delta.

The Commission encourages utilities to keep their gas cost as low as possible and commends Delta's efforts to reduce costs under the Wiser contract. The litigation and settlement should benefit ratepayers. Therefore, full gas cost recovery of all amounts paid or required to be paid by Delta under the settlement should be approved. However, the Commission does caution Delta that its handling of the Wiser matter is not the preferred method. In the future, if price disputes arise, the higher price should be paid under protest and the costs passed through to ratepayers subject to refund, dependent on the outcome of the lawsuit.

(8) In Delta's filing dated January 3, 1989, Delta requested confidentiality for Schedules II, VI, and VII and the settlement agreement and contract amendment with Wiser. Confidentiality

should be granted for Schedule VI. The Commission is still in the process of reviewing Delta's request concerning Schedules II and VII and the Wiser agreement. Schedules II and VII and the Wiser agreement will be accorded confidential treatment, along with Delta's producer contracts for which it has requested confidentiality in the past, until the Commission has completed its investigation and reached its decision.

IT IS THEREFORE ORDERED that:

(1) The rates in the Appendix to this Order, attached and incorporated hereto, are fair, just, and reasonable and are hereby approved effective with final meter readings on and after February 1, 1989, subject to refund.

(2) The gas cost recovery rate shall be \$3.2184 per Mcf effective with final meter readings on and after February 1, 1989, subject to refund.

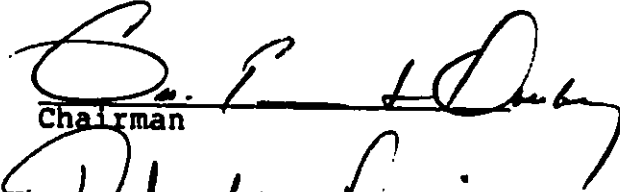
(3) Within 30 days of the date of this Order, Delta shall file with this Commission its revised tariffs setting out the rates authorized herein.

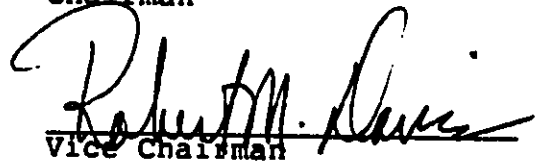
(4) Full gas cost recovery of all amounts paid or required to be paid by Delta under the settlement agreement of the Wiser lawsuit is hereby approved.

(5) Delta's request for confidentiality is hereby granted for Schedule VI of its GCA filing.

Done at Frankfort, Kentucky, this 31st day of January, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9331-M DATED January 31, 1989.

The following rates and charges are prescribed for the customers served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

RATE SCHEDULES

AVAILABILITY

Available for general use by residential, commercial, and industrial customers who purchase their entire natural gas requirements from Delta.

RATES

	<u>Base Rate</u>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
	plus		equals
General Service			
Monthly Customer Charge			\$3.98
1 - 1,000 Mcf	\$2.0379	\$3.2184	\$5.2563 per Mcf
1,001 - 5,000 Mcf	1.8920	3.2184	5.1104 per Mcf
5,001 - 10,000 Mcf	1.5858	3.2184	4.8042 per Mcf
Over 10,000 Mcf	1.2795	3.2184	4.4979 per Mcf
Interruptible (2)			
1 - 1,000 Mcf	\$1.7826	\$3.2184	\$5.0010 per Mcf
1,001 - 5,000 Mcf	1.6368	3.2184	4.8552 per Mcf
5,001 - 10,000 Mcf	1.3306	3.2184	4.5490 per Mcf
Over 10,000 Mcf	1.0243	3.2184	4.2427 per Mcf